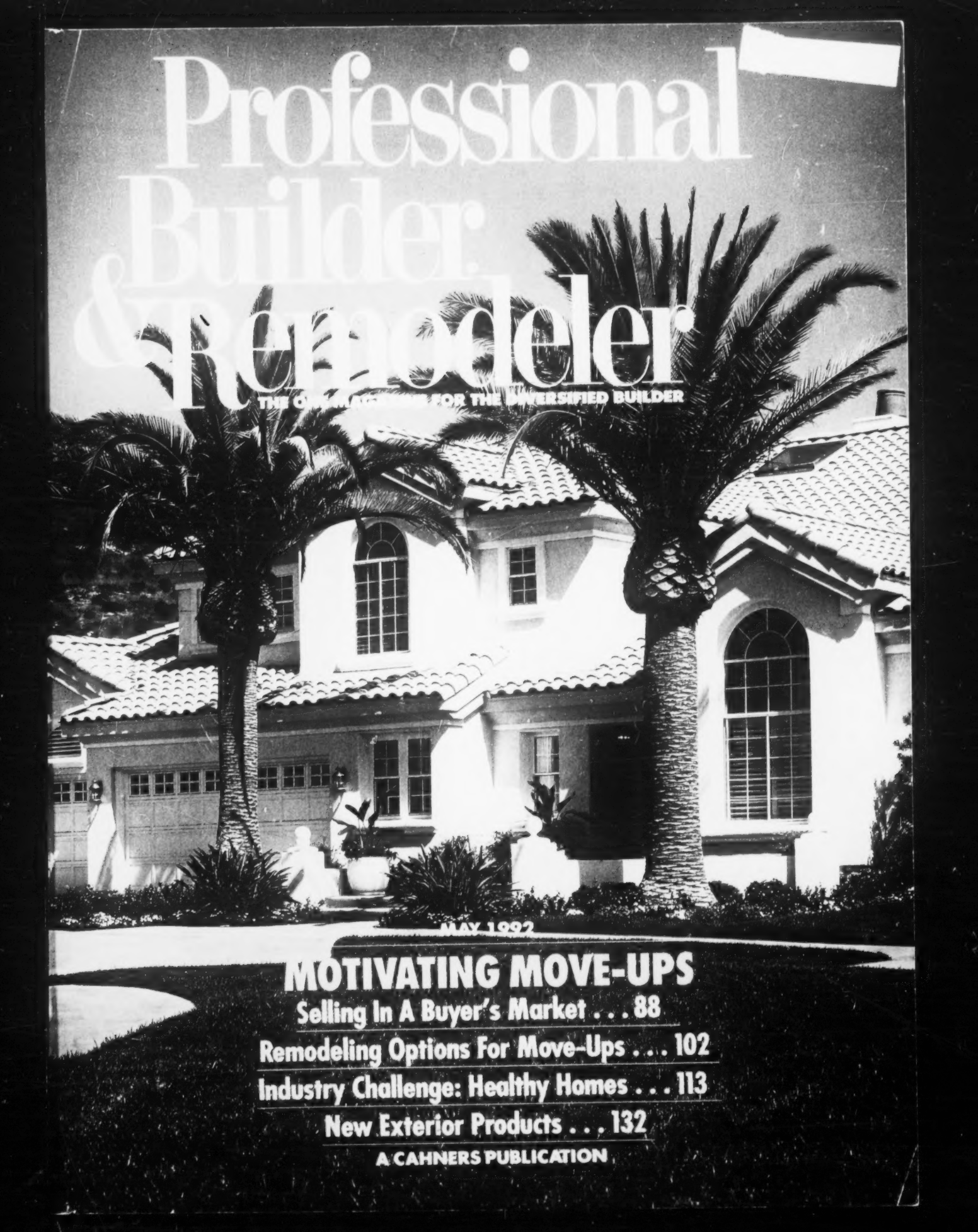
Professional
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THE O[illegible] FOR THE DIVERSIFIED BUILDER
MAY 1992
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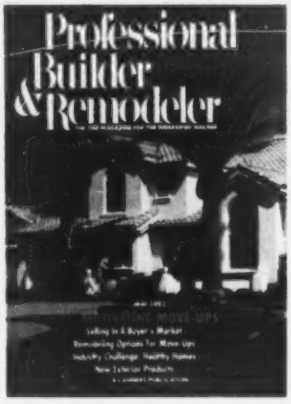
Professional Builder & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER



On The Cover

■ Pacific Ampac, a subsidiary of Woodcrest Development, Irvine, Calif., fetched $470,000 to $559,000 for its houses at Summit Chase in Yorba Linda. Dale Cexton handled the architecture, while Yeiser Garland & Associates decorated the interiors. Featured on page 88. Photography by Robb Miller.

Designs for the move-up market: p. 88.

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Motivating The Move-Up Buyer 88

Convincing prospects to buy is the key to success in the move-up market. The homes featured show how builders around the country produced a variety of turn-ons.

Remodeling Alternatives To Moving Up 102

When it comes to acquiring more space, many homeowners choose to remodel rather than buy a larger home. Here are three examples of what can result when consumers decide to keep the house but alter the space.

Smarter, Better Housing For The Money 110

Tucson builder A.F. Sterling overcame the "loser" image of an old RTC project site with a winning design. While he projected a two-year sell-out, he sold all his product in less than five months.

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■ In-town apartments let Houston renters take advantage of the city's best dining, shopping and entertainment: *p. 21.* Custom touches personalize and distinguish contemporary homes: *p. 24.*

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■ Diversified builders who position themselves to change with the times are better prepared for market downturns: *p. 51.*

Marketing

■ Creative direct-mail campaigns stimulate remodeling business: *p. 67.* Mortgage assistance can unlock the door for first-time buyers: *p. 68.*

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■ Indoor air quality could be the major housing topic in the 1990s, according to industry experts: *p. 113.* Manufactured housing is playing a key role in urban redevelopment: *p. 122.*

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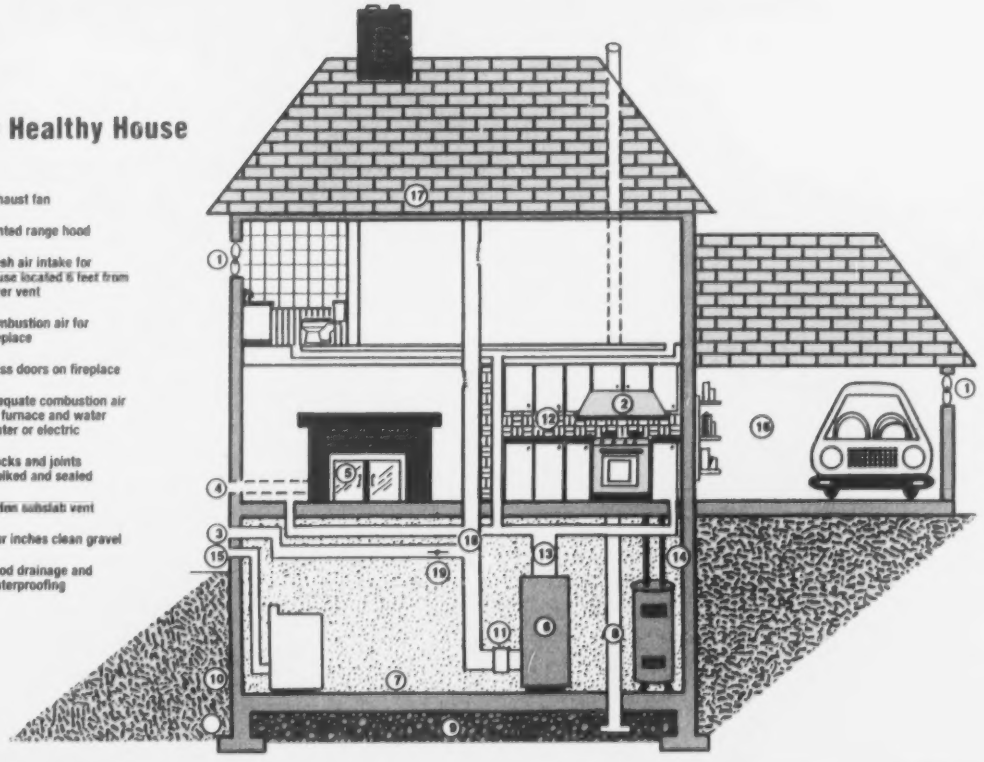
TECHNOLOGY

■ ENVIRONMENT

Indoor Air Quality To Be Major Topic Of The '90s, Say Experts

The Healthy House



1. Exhaust fan
2. Vented range hood
3. Fresh air intake for house located 6 feet from dryer vent
4. Combustion air for fireplace
5. Glass doors on fireplace
6. Adequate combustion air for furnace and water heater or electric
7. Cracks and joints caulked and sealed
8. Radon subslab vent
9. Four inches clean gravel
10. Good drainage and waterproofing
11. Air cleaner
12. Low formaldehyde emitting cabinets, countertops and underlayment
13. Clean metal ducts tightly sealed
14. Lead-free solder on pipes
15. Vented dryer
16. Garage sealed from house and vented
17. All penetrations in ceiling caulked and sealed
18. Return air duct
19. Fresh air-control damper

Source: GEOMET

Radon, lead, asbestos and other airborne particles may have an adverse effect on public health and a builder's bottom line.

Industry experts predict indoor air quality will be a major concern in this decade, but for now, the issue as it relates to residential construction, appears to lack definition among regulators and building industry leaders, says Mike Chapman, chairman of the indoor air-quality subcommittee of NAHB.

"This is evident through the lack of public concern or general builder interest in the subject," says Chapman. "However, IAQ and other home environment issues continue to increase (in

Continued on page 114.

Key Issues

- At present, indoor air quality is less of an issue within the industry and public than with the government.
- There is a lack of IAQ standards for housing.
- There is a similar lack of information or data.
- Minimal resources are being directed toward the issue.
- There is a lack of effective communications on the issue.
- The public and industry have perceptions or feelings on the subject despite the lack of information or experience.

Indoor air-quality legislation passes in Senate, probably won't pass in House

Continued from page 113.

importance) on the NAHB Issues Management list."

And, since the U.S. Environmental Protection Agency has taken up the cause, indoor air quality could well become one of the major environmental issues of the 1990s, says Chapman.

He says there appears to be very little consensus on IAQ. "The industry does not share a universal view of the subject, while the public has practically no opinion on the issue."

He says IAQ is an issue that is just emerging, has a strong emotional element, has little information, few guidelines and is going to be difficult to communicate to members, government officials and the public at large.

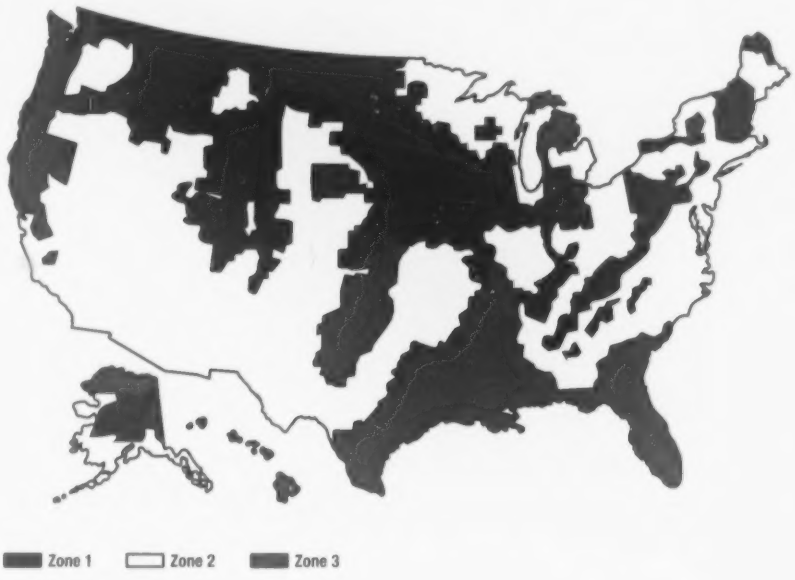
Resources need to be directed toward this growing industry issue, according to Chapman. "This is especially so since other interest groups are promoting the adoption of standards and regulations, which increase costs without providing commensurate benefit."

And, though IAQ legislation passed in the U.S. Senate in November, a bill probably will not pass in the House this year, according to Bob Axelrod of the EPA. The Senate bill reauthorizes the Indoor Radon Abatement Act of 1988. The EPA will publish a guide to indoor air quality before year's end. It is meant to be informative, not prescriptive, he says.

At present, IAQ standards for commercial buildings are applied improperly to residential

Continued on page 116.

Radon Levels



A map released by the EPA shows that approximately 30% of all U.S. counties (25% of existing homes) are in areas where radon levels are potentially high. In those areas (Zone 1) predicted radon readings are in excess of 4 picocuries per liter of air, the cutoff point established by the EPA.

Zones 2 (2 to 4 picocuries per liter) and 3 (below 2 picocuries per liter) have potentials for medium and low levels.

EPA says it recognizes radon levels can vary from one part of a county to another. The agency, therefore, favors adjustment of its county classification as high, medium or low levels of radon by local officials through the application of locally available data.

The radon potential map for the United States was determined by examining indoor radon-screening measurements, aerial radioactivity measurements, geology, soil permeability and residential foundation types for 138 geological provinces.

EPA estimates that the range of costs for installing passive and active abatement techniques at the time of construction is $350 to $750 per house. EPA's estimates for installing mitigation techniques in existing homes would average $1200.

NAHB has a policy on radon calling for use of passive building techniques to prepare for any possible radon in newly built houses. The NAHB Radon Working Group believes that builders could meet their responsibilities by building to passive standards in areas where radon levels are potentially high.

EPA surveys indicate that most homes will have radon readings (even in radon priority areas) of less than 2 picocuries per liter. Therefore, few homes will require an active abatement system.

However, if an active system is in place, homeowners who subsequently get radon readings in excess of 2 picocuries per liter can activate it. □

Builders, government agencies operate without good data on indoor pollutants

Continued from page 114.

structures, according to Chapman. Regulators, standards writers and the housing industry have not established reasonable interior environmental levels for the residential industry based on reliable research, he says. Because of this, the builder or building owner is exposed to an increasing level of questionable expense and legal liability.

The residential building industry, as well as federal, state and local regulators and legislators operate with poor data regarding building products, their effect on health, the environment and the dynamics between materials and occupant activity, he says.

"We find an abundance of hasty generalizations from all sides of the issue, a lack of common definitions for what is reasonable and an industry without a plan of action," Chapman says.

The result is tension between the industry, the code bodies and federal regulators, he says. "Uncertainty abounds, leaving fertile ground for reactionary federal, state and local legislation. The builder is concerned that mandatory regulations will result from issuance of voluntary guidelines." A comprehensive communications plan needs to be developed once the industry policies and positions are decided, he says.

And a good deal is at stake with the indoor air-quality issue. "Human health is directly affected by the quality of the indoor environment since we spend 75% to 90% of our time indoors," says John Spears, senior research scientist and manager, building systems and energy program for GEOMET Technologies, Germantown, Md. Indoors, the pollutant levels may be two to five times higher than outdoors, according to EPA estimates.

Millions of people can be effected. Hundreds of people die each year from faulty combustion appliances, according to the EPA. Agency projections indicate that as many as 10,000 to 20,000 people die each year from exposure to radon. Millions of people suffer, according to Spears, from allergies aggravated by indoor pollutants.

According to Spears, the five rules of thumb for a healthy interior environment are:

- Controllable ventilation, which exhausts pollutants and brings in fresh air;
- Low-emitting materials that minimize the levels of volatile organic compounds and formaldehyde;
- Radon-resistant foundations;
- Properly vented combustion appliances such as the furnace and water heater; and
- Water treatment to ensure good water quality.

Radon is still at the top of the list of major indoor pollutants (see map and related story on these pages).

Following radon is lead paint, which has drawn more attention recently

Continued on page 120.

Materials Containing Asbestos

Product	Location	Dates of use
Roofing and siding		
Roofing felts	flat, built-up roofs	1910-present
Roof felt shingles	roofs	1971-9174
Roofing shingles	roofs	?-present
Roofing tiles	roofs	1930-present
Siding shingles	siding	?-present
Clapboards	siding	1944-1945
Walls and ceilings		
Sprayed coating	ceilings, walls, steelwork	1935-1978
Troweled coating	ceilings, walls	1935-1978
Asbestos-cement sheet	near heat sources	1930-present
Spackle	walls, ceilings	1930-1978
Joint compound	walls, ceilings	1945-1977
Textured paints	walls, ceilings	?-1978
Millboard, rollboard	walls, commercial buildings	1925-?
Vinyl wallpaper	walls	?
Insulation board	walls	?
Floors		
Vinyl-asbestos tile	floors	1950-1980
Asphalt-asbestos tile	floors	1920-1980
Resilient sheet flooring	floors	1950-1980
Mastic adhesives	sheet and tile backing	1945-1980
Pipes and boilers		
Cement pipe and fittings	water and sewer mains	1935-present
Block insulation	boilers	1890-1978
Preformed pipe wrap	pipes	1926-1975
Corrugated asbestos paper	pipes	1910-1980
Paper tape	furnaces, steam valves, flanges	1901-1980
Putty (mudding)	plumbing joints	1900-1973

Source: U.S. Environmental Protection Agency

Lead abatement may become the most far-reaching issue for the industry

Continued from page 116.

than asbestos. The hysteria that used to surround asbestos now surrounds lead, says Bryan Patchan, executive director of the Remodelors Council of NAHB.

The abatement of lead-based paint presents a major problem to the housing market, according to David D'Alessandris of NAHB.

Testing and abatement strategies for lead-based paint are already required in public and Native American housing and there are proposals before the U.S. Congress for requiring abatement of lead-based paint in privately owned homes.

"While this issue does not directly affect builders of new homes, any regulations that significantly change the values of existing homes, and thus the equity, will impact the new home market," D'Alessandris says.

For remodelers, he says, the abatement work that may be required represents a potential market that some firms may wish to enter. But, due to new worker-safety guidelines and requirements to protect occupants, D'Alessandris says it would also mean major changes in the way remodeling work is conducted.

Just testing for lead paint is an expensive procedure, D'Alessandris says. The Department of Housing and Urban Development estimates costs at $404 per 2000-square-foot, single-family unit and $320 for a 900-square-foot multifamily unit.

If abatement *is* required, the owner will have to decide between removal and encapsulation. Based on a demonstration study of public housing units, HUD estimates the average cost of lead-based paint removal to be $7704 for a single-family home, excluding the costs of relocating occupants and their possessions for the duration of the work. Then there are the costs involved in disposing of the hazardous waste from the abatement procedure.

HUD estimates a cost of $5453 for encapsulation of lead-based paint. While encapsulation has a lower up-front cost, D'Alessandris says, there is no information on the life expectancy of encapsulants.

Chances are, says D'Alessandris, that lead abatement will become a more important and far-reaching issue than either asbestos or radon because of its widespread use.

Though lead may be getting more attention of late, asbestos is no less a problem, says Patchan.

The best thing a remodeler can do when he suspects the presence of asbestos is to bring in an abatement contractor to deal with the encapsulation, enclosure and removal, Patchan says.

A major problem is that homeowners often don't want to pay the extra cost, which could be several thousand dollars. Some may contract with other remodelers who will tear out the asbestos-containing material without taking prescribed precautionary measures. Homeowners need to be warned of the health hazards to their families.

By Dan McLeister, Senior Editor

Demographics Show Number Of Homes With Lead-Based Paint

Characteristic	Total housing units	Housing units with lead paint
Total occupied units	**93,683,000**	**58%**
Built before 1979	**72,926,000**	**74%**
Construction Year		
1960-1979	31,997,000	62%
1940-1959	20,331,000	80%
Before 1940	20,598,000	90%
Housing type		
Single family	63,165,000	74%
Multifamily	9,761,000	73%
Census region		
Northeast	16,459,000	93%
Midwest	19,023,000	76%
South	23,258,000	58%
West	14,186,000	80%
Owner-occupied	**47,711,000**	**72%**
Market value of home		
Less than $40,000	10,041,000	79%
$40,000 to $79,999	16,967,000	53%
$80,000 to $149,999	11,514,000	65%
$150,000 and up	9,190,000	87%
Renter-occupied	**25,214,000**	**79%**
Monthly rent payment		
Less than $400	13,568,000	69%
$400 and up	9,878,000	87%
Household income		
Less than $30,000	42,307,000	76%
$30,000 and up	30,619,000	72%

Source: HUD Comprehensive and Workable Plan for the Abatement of Lead Paint in Private Housing. NAHB Computations

INDICATORS

Starts Continue Strong Recovery

1992 could spell relief for long-lagging housing markets.

Total housing starts during January reached an annualized level of 1,167,000 units. This was 5.5% above the previous month's total, and 38.3% ahead of the abysmal 844,000 unit rate of January 1991.

Starts in multiunit buildings soared during January, up 37% from the low year-end rate of 144,000 units. Still, the January total was not quite back to the nothing-to-write-home-about rate of a year ago. Single-family starts, on the other hand, were up a modest 1% between December and January, but the January 1992 start rate was 51.2% higher than a year earlier.

Building permits have also been on the rise. The value of single-family homes permitted during the first month of 1992 was 50.3% greater than a year earlier. Although multifamily permit values were up only 0.6%, this nevertheless breaks an exceptionally long series of down months.

New single-family home sales surged during January to an annualized rate of 612,000 units. This was 12.9% ahead of December's rate, and 50.7% higher than twelve months earlier.

Inventories of new homes were at an extremely low rate at the beginning of the year—the 283,000 homes for sale represented only a 5.8 months supply, the lowest level in a decade. Taken together, all of this spells continued and sustainable relief for the long-suffering housing industry. □

Look For 1.27 Million Starts

Building permit trends continue to improve, interest rates are low, home sales activity is up—almost all fundamentals are pointing up, just as we anticipated when we did our housing starts forecast at year-end 1991. However, in recognition of the potential stimulus of the first-time home buyer tax credit and IRA downpayment proposals, we have tentatively raised our forecast of total starts in 1992.

All of the revision has taken place on the single-family side; although multifamily has bottomed out, the recovery will be excruciatingly slow for this sector. In the unlikely event that the first-time buyer proposals do not pass in some form, we'll revert back to our baseline forecast of 1.19 million units for 1992. □

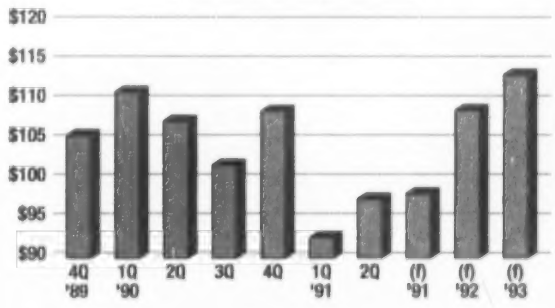
Regional Market Conditions

(Year-To-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Albany	+88.1%	$97,096	+57.7%	-1.9%
Newark	+83.1%	$122,824	+9.9%	-2.6%
Miami	+8.4%	$82,128	+7.8%	-3.5%
Louisville	+96.7%	$101,965	+63.6%	+1.5%
Houston	+15.1%	$102,084	+4.1%	+1.1%
Detroit	+85.7%	$99,906	+14.8%	-1.9%
St. Louis	+111.5%	$91,677	+77.9%	-0.9%
Las Vegas	+55.1%	$84,665	+56.2%	+0.1%
Sacramento	+47.2%	$120,719	+47.2%	-0.5%

Sources: U.S. Departments of Commerce and Labor.

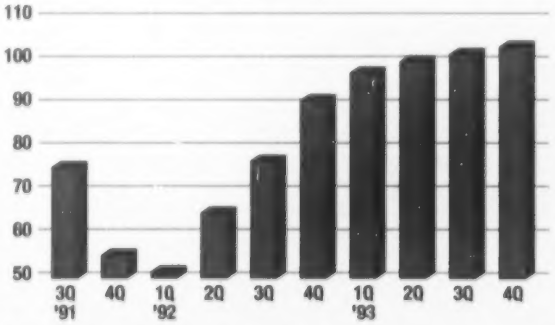
Residential Upkeep & Improvement Spending



Data reflect seasonally adjusted annualized rates, in billions of $.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Consumer Confidence Index

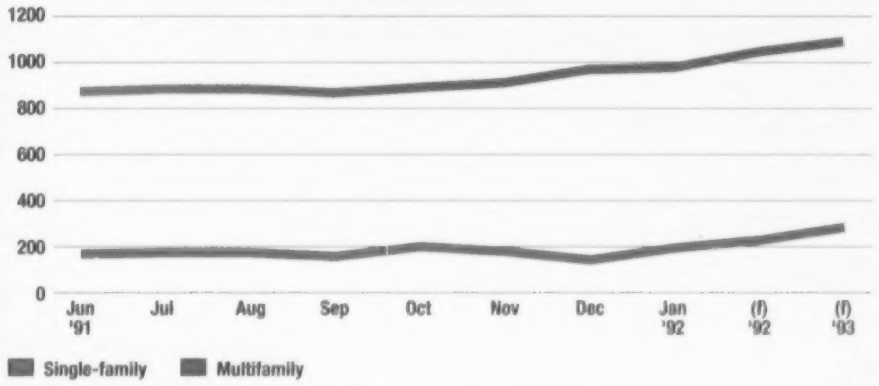
(1985=100)



Source: The Conference Board. Forecast: Cahners Economics.

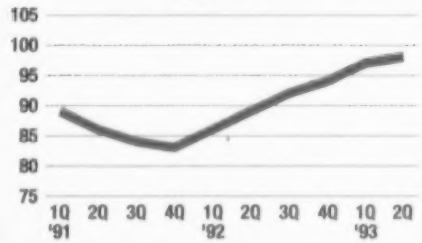
INDICATORS

Housing Starts



Data reflect seasonally adjusted annual rate, in thousands.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

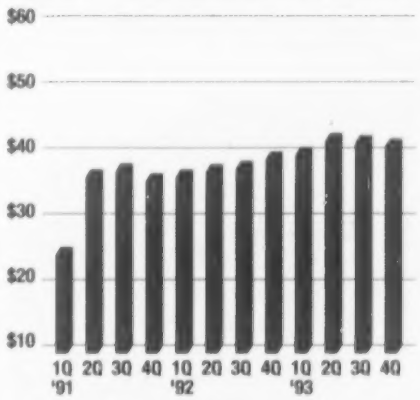
PB&R Market Activity
(1987=100)



Index represents weighted average of forecast trends in residential, remodeling and light-commercial construction markets. Data are expressed in "real" terms, i.e. adjusted for the effects of inflation.

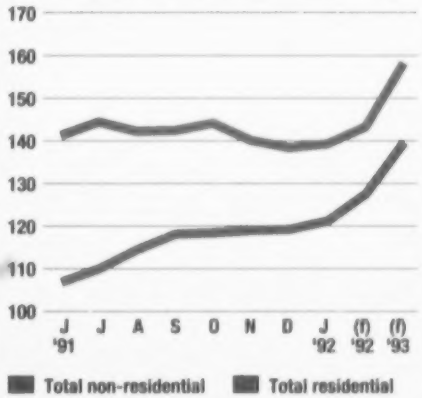
Source: Cahners Economics

Consumer Spending On Residential Additions & Alterations



Data reflect seasonally adjusted annualized rates by quarter, in billions of $.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Construction Spending Trends – Residential & Non-Residential



Data reflect seasonally adjusted annualized rates, in billions of $.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

Key Trends At A Glance

	Jan '92	May '91
Total housing starts*	1,167,000	983,000
New home sales*	612,000	507,000
Remodeling permit trend	+1.5%	-0.1%
Consumer confidence index**	50.2	76.4
Median new home price	$125,000	$116,000
Fixed-rate mortgages	8.42%	9.47%
Construction wage trend	0.9%	1.4%

* Seasonally adjusted annual rate.
** 1985 = 100.

Remodeling Poised For Rebound After Rocky 1991

The extent of last year's weakness in residential remodeling work has become clear in recent months. After considerable delay, two quarters worth of data on consumer expenditures for improvements and repairs of residential properties recently became available.

First quarter 1991 expenditures were at the depressed seasonally adjusted annualized rate of $92.6 billion. This was almost 15% below the rate for the fourth quarter of 1990. The most shocking drops were in the improvement categories. Spending for additions and alterations plunged 30.5% and major replacements spending fell 20.0%. Over the same period, maintenance and repair spending fared reasonably well, dropping by less than 3%.

Based on our review of remodeling permit data for the second half of last year, it would appear that total spending improved modestly during the third quarter and then plunged again during the final quarter. Time will tell, of course, but final 1991 data will not be available from the government until about mid-year. Consequently we have revised our estimate of 1991 spending downward to reflect what we know about the first half of the year and what we suspect about the final six months.

Things are looking up, however. Permit values for additions and alterations were up 14.4% in December and by 8.4% in January from their year-earlier totals. □

NOTE

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124, 128, 130, 185, 186

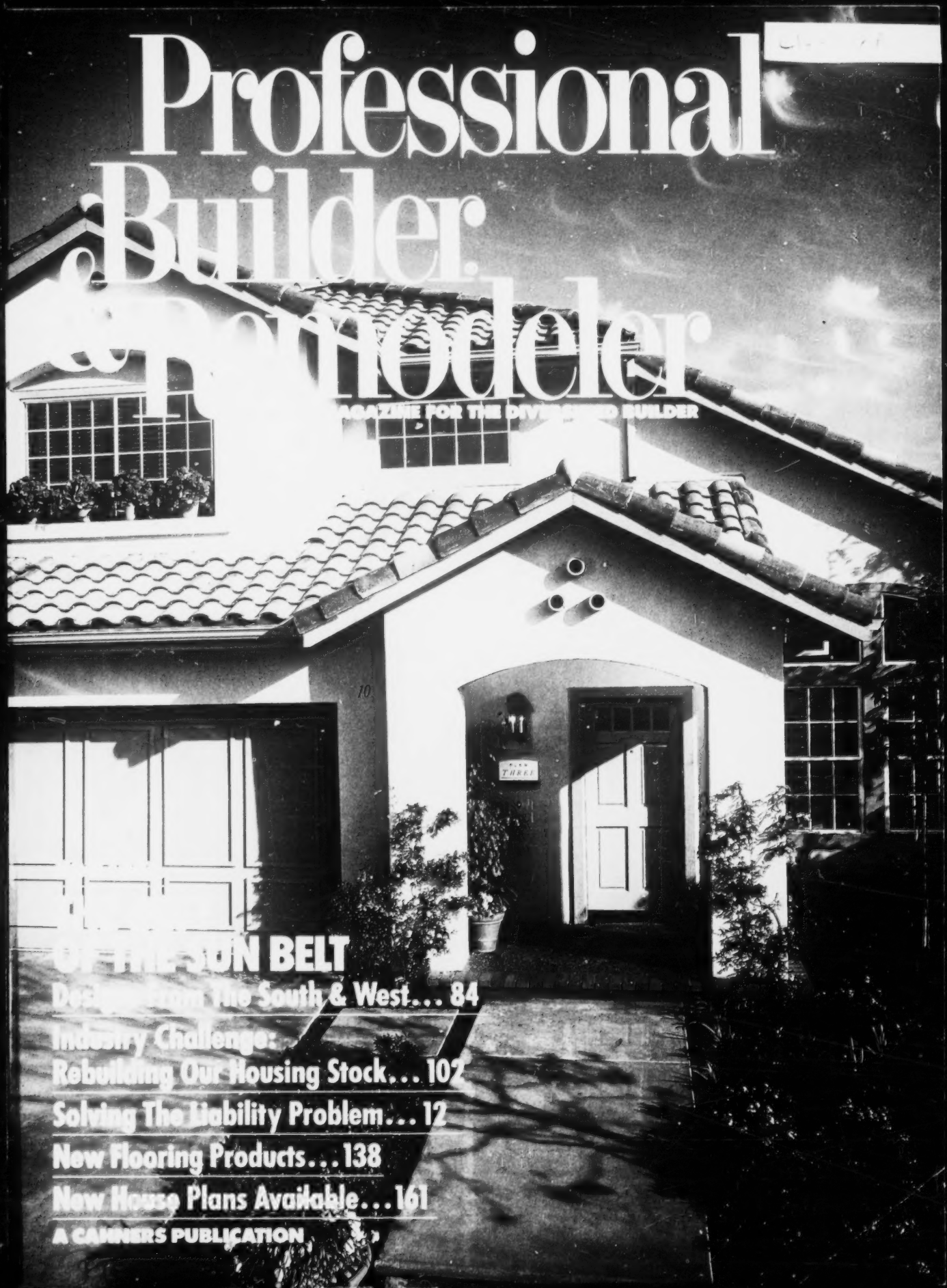
JUNE

1992

Professional Builder

Modular

MAGAZINE FOR THE DIVERSIFIED BUILDER



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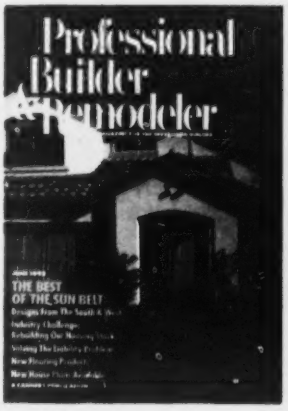

On The Cover

■ Akins Co. created wide-and-shallow designs that live large at Brisa Ladera in Rancho Santa Margarita, Calif. Prices range from $175,900 to $200,900. The design was by Fernando Calderon of Calderon Nakamura Architects. Saddleback Interiors handled the decorating. Photography by Keith Swan. For more photos of this and other projects see page 84.

Mass-market remodeling: p. 102.

Sales ideas: p. 25.

FEATURES

Design Trends That Sell The Sun Belt 84

Design trends used to start in California, then pop up elsewhere. While housing trendsetters now appear anywhere, by virtue of the sheer volume of its starts, the Sun Belt still dominates. Today's top trend: timeless traditional.

Industry Challenge: Rebuilding Our Housing Stock 102

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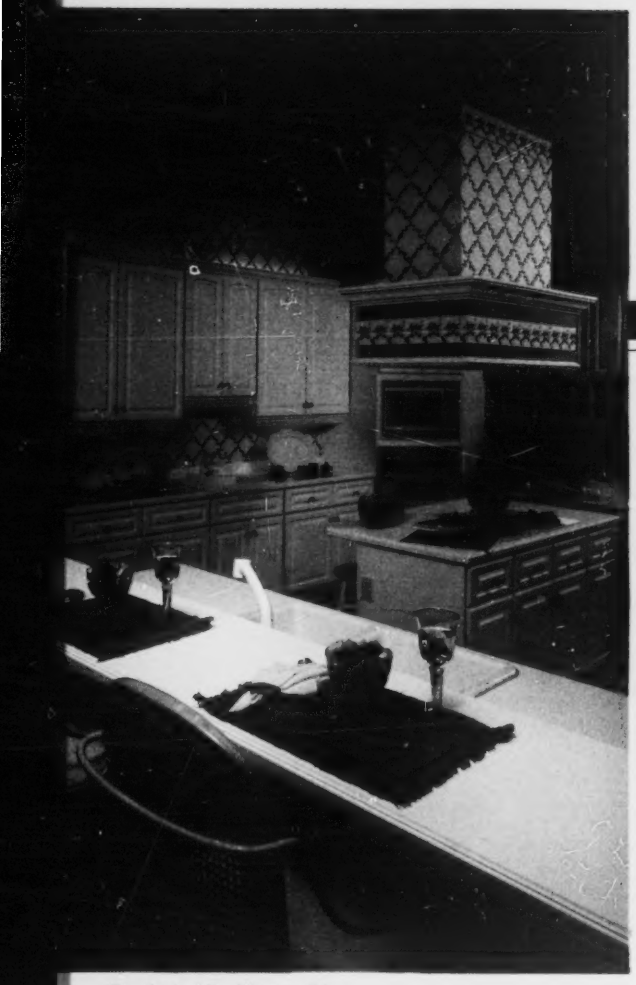
Even with many areas overbuilt in the commercial sector, opportunities still exist for the right non-residential product, in the right market niche.



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TECHNOLOGY

BUILDING SYSTEMS

Modular Housing Expected To Gain Larger Market Share

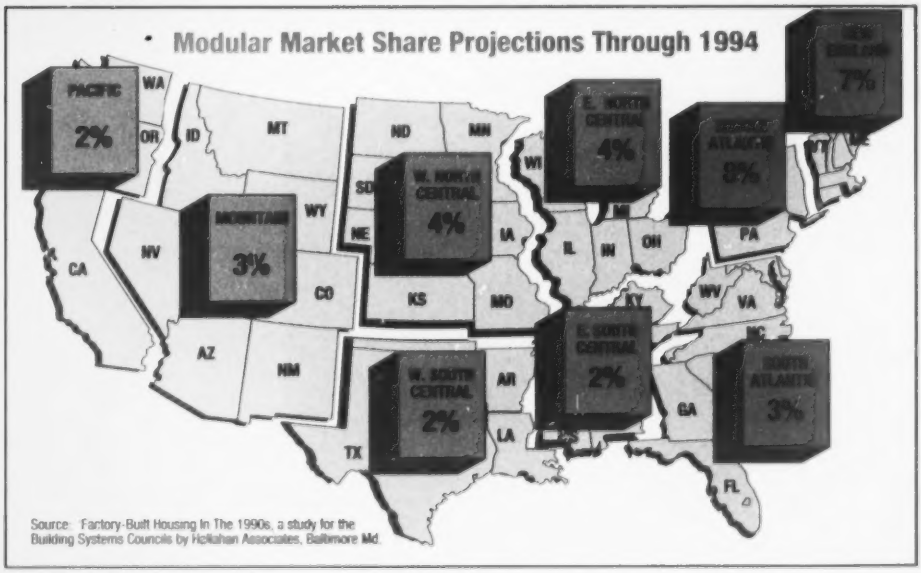
Buyers at the Neighborhoode don't perceive these homes as modular.
Photo: Fred Forbes

Modulars will capture a bigger slice of the housing pie by the year 2000.

Modular housing will become more important to builders' efforts to cut costs and improve construction time. Modulars are slowly beginning to penetrate new geographical markets and niches.

There is disagreement as to just how much this segment of the industry will grow. A 1990 study by Frost & Sullivan, a New

Continued on page 124.



Source: Factory-Built Housing In The 1990s, a study for the Building Systems Councils by Hollahan Associates, Baltimore Md.

Value-packed modulars rack up sales in New Jersey

Continued from page 121.

York-based research firm, predicted that by the year 2000, modular manufacturers would produce 170,000 units—an increase of nearly 179% from 1989 production levels.

Another study, by the Freedonia Group of Cleveland, reports that modular housing is expected to grow over 12% annually, spreading into the South and West.

A much more conservative picture is painted by Fred Hallahan of Hallahan Associates, Baltimore, Md., who prepared a study on factory-built housing for the Building Systems Councils (BSC) in 1989.

Hallahan says modulars have only a 2% market share nationally, but are very strong in the Northeast. He predicts that by 1994, modular housing will have 8% of the market in the Middle-Atlantic states and 7% in New England (see map).

Modular housing is a niche industry and always will be, says Hallahan. While concentrated in the East, where most of the factories are located, modulars are doing well in the Midwest and even gaining market share.

A *PB&R* survey of 384 builders indicated that small- to medium-size builders are the most frequent users of modular housing (see bar chart). The table shows that over half of the builders surveyed use modulars because they reduce construction time.

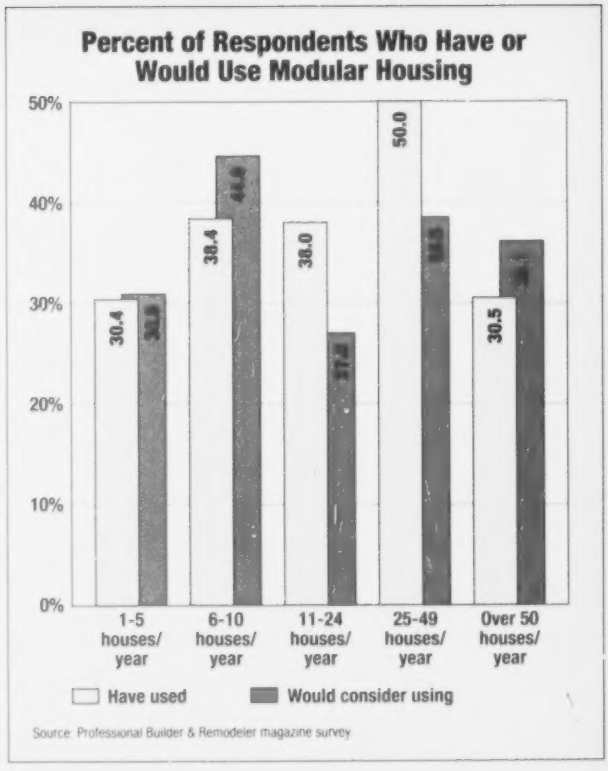
DKM Building Enterprises of Lawrenceville, N.J., bowled over local buyers when it introduced modular housing to the south Jersey market last spring.

The Neighborhoode at Fries Mill is a community of 212 detached homes, currently priced from $99,900 to $136,900. Four models were offered in the first phase, ranging from 1540 to 2274 square feet.

First-time buyers were excited by the designs, created by Bill Devereaux of Berkus Group Architects, Washington, D.C., and the interior merchandising by the Childs/Dreyfus Group of Chicago. According to Susan Poling, mar-

Continued on page 128.

At $99,900, the Americana model, offered at the Neighborhoode at Fries Mill, is popular with first-time buyers. A covered breezeway connects the one-car garage to the eat-in kitchen. Photo: Fred Forbes



Modular townhouses give low-income buyers a chance at ownership

Photo: Schult Homes

Continued from page 124.

keting director for DKM, 45 homes have been sold to date.

"Consumers don't realize these are modular houses when they first walk through," says Poling. "Our salespeople point out that the homes are built in a controlled environment."

DKM is looking at sites on the eastern seaboard for other "Neighborhoodes," she says.

Schult Homes, a producer of manufactured (HUD-code) housing based in Milton, Pa., opened a modular plant in Middlebury, Ind., in 1990. The plant ships modulars to sites in Indiana, Illinois, Ohio and Michigan.

"The Midwest is slowly developing a market," says Francis Kennard, senior vice president of marketing for Schult. "Eventually we will introduce modulars in our Minnesota and Kansas divisions."

Why Builders Use Modular Housing

Reasons	% builders
Reduces construction time	53.5%
Reduces labor cost	27.9%
Reduces material cost	27.1%
Results in better quality	25.6%
Easier to work with	24.8%

Source: Professional Builder & Remodeler magazine survey.

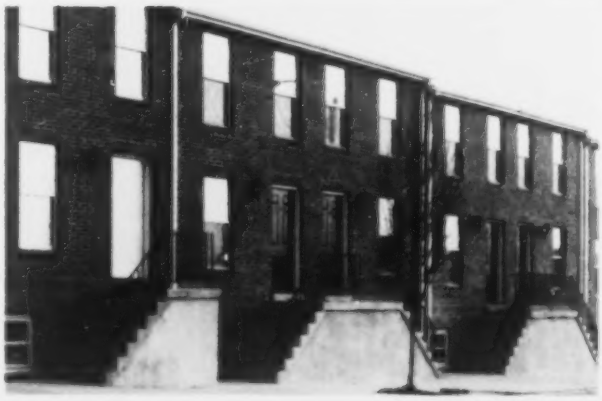


Photo: Regional Building Systems

Above, a split-level plan marketed by Crest Homes, a division of Schult Homes based in Middlebury, Ind. Townhouses shown below are part of a low-income project in Baltimore.

Schult markets its modular product under the name Crest Homes. The target market is affordable single-family housing in the $70,000 to $100,000 range.

Schult's objective is to grow the modular side of the business 300% within the next three years, says Kennard. In Indiana, Crest Homes expects to double its business over last year.

Modulars are being used with increasing frequency for infill applications, such as inner-city sites where low-income housing is needed.

Regional Building Systems (RBS) of Columbia, Md., is supplying modules for a project in Baltimore.

Continued on page 130.

National code for modulars would step up production levels

Continued from page 128.

HUD awarded a contract to build 283 townhouses for low- and moderate-income families to Enterprise Nehemiah Development Inc., a joint venture between BUILD (Baltimoreans United in Leadership Development) and the Enterprise Foundation.

RBS is putting up the housing in partnership with a Baltimore contractor, Struever Bros., Eccles & Rouse.

RBS president Keith Sholos says townhouses will be built on scattered sites throughout the city. Units are approximately 1000 square feet and sell for about $70,000.

"We have more applications for housing than we can fill," says Sholos. "This inner-city work is a big growth area, at least for us."

Strattan Building Systems, Knox, Pa., ships a broad range of modular product to 24 states and Canada. Don Martz, president, says the company's ability to customize sets it apart from other manufacturers.

One niche Strattan has successfully carved out is housing for the elderly. The company's Penn Craft division offers E.C.H.O. housing (Elder Cottage Housing Opportunity): small, self-contained modular homes that can be placed in the yard of primary homes or in cluster-type villages. E.C.H.O. houses feature barrier-free designs that make them particularly adaptable to elderly or handicapped persons.

One of the most troublesome factors inhibiting the growth of modulars is the lack of a national building code, such as the HUD code that regulates manufactured homes. Each state has a different set of requirements for modulars.

Elder cottages, shown in rendering, are self-contained modular units that can be sited behind or adjacent to primary homes. Modular Council president Fred Betz, left, supports a national building code for the industry.

The NAHB and BSC have worked for the past three years to advance federal legislation (known as H.R. #1235) that would establish a Modular Construction Commission and create a national, uniform regulatory program for modular building components.

Congressman Ben Erdreich, the original sponsor of H.R. #1235, has asked Congressman Henry Gonzalez, chairman of the Subcommittee on Housing and Community Development, to have 1235 language put into the Housing Reauthorization bill. Erdreich is backed by NAHB president Jay Buchert, BSC chairman John Slayter, Modular Building Systems Council president Fred Betz, and a host of modular manufacturers.

"The opportunity to get the bill passed appears to be good this year; there's a lot of interest in it," says Jim Birdsong, BSC executive director. "There has been some economic recovery and builders are getting busy again. They're going to be reminded of the difficulties in shipping modulars across state lines."

In spite of regulatory problems, Betz believes that modular housing, coupled with other building systems such as panelization, will continue to grow, probably more so east of the Mississippi River than west of it.

"The idea of using modulars, not just for new construction but also for remodeling, has opened up a whole new set of opportunities for our industry," he says.

By Susan Bady, Senior Editor

INDICATORS

Existing Home Sales Bounce Back Strongly

The moderately priced first-time move-up market should soon benefit.

Sales of existing homes have surged in recent months. The recovery in single-family home construction has been concentrated in the entry-level, starter-home segments of the market.

With current homeowners enjoying greater success in selling, the moderately priced first-time move-up market should soon benefit.

According to the National Association of Realtors, the seasonally adjusted annualized pace of single-family home sales rose 9.3% between January and February. February's pace was 11.4% higher than in the same month a year earlier. Existing home sales have been above their year-ago rate for six consecutive months now, and for eight of the last 10 months.

After falling 4.2% in 1990, existing home sales stabilized in 1991. We expect last year's negligible 0.3% loss to be followed by strong growth of 9.5% in 1992.

If our forecast is on the mark, this year's gain for existing home sales will be the largest recorded since 1986.

The Commerce Department has reported that the value of new residential construction put in place during the first two months of this year was well above the recorded pace of January-February 1991.

On a seasonally adjusted annualized basis, total new residential construction spending in February 1992 was 17.8% greater than the February 1991 level. January's numbers showed a 12.1% over-the-year upturn.

All of the strength was concentrated in the single-family sector. The value of new single-family homes put in place during February 1992 was more than 27% above the year-ago level, while the value of construction in new multifamily buildings was down a discouraging 31.5% over the same period.

Monthly single-family new construction spending values have been above their year-earlier levels for six consecutive months now.

The multifamily sector, on the other hand, hasn't seen even a single month better than the same month a year earlier since September 1989.

We are forecasting a gain of about 15% in total new residential construction spending this year, following a drop of 13.4% in 1991.

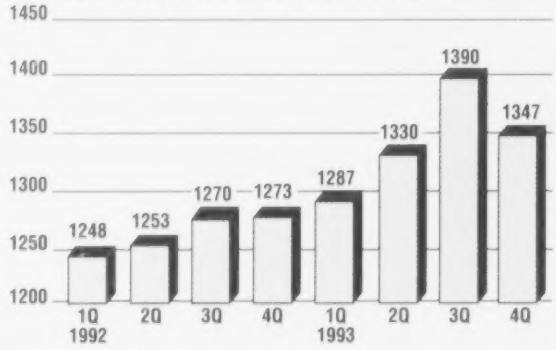
By Daryl Delano, Cahners Economics

Regional Market Conditions
(Year-To-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Boston	+64.3%	$111,362	+20.3%	-4.1%
Philadelphia	+63.6%	$92,007	-3.8%	-1.5%
Atlanta	+43.1%	$88,220	+13.0%	-2.3%
Memphis	+86.8%	$87,694	+4.5%	+0.7%
Dallas	+72.2%	$115,572	+24.7%	-0.2%
Cincinnati	+40.6%	$95,926	+26.2%	+0.4%
Minneapolis	+66.8%	$110,539	+41.0%	+0.8%
Denver	+65.6%	$126,684	-2.4%	+1.4%
Los Angeles	-1.3%	$147,970	-1.6%	-1.4%

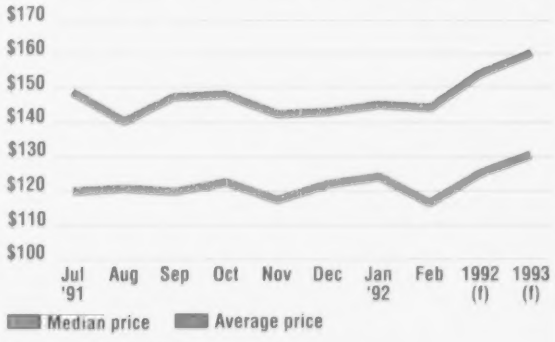
Sources: U.S. Departments of Commerce and Labor

Quarterly Forecast Of Housing Starts



Data reflect quarterly averages, in thousands of units.
Forecast: Cahners Economics

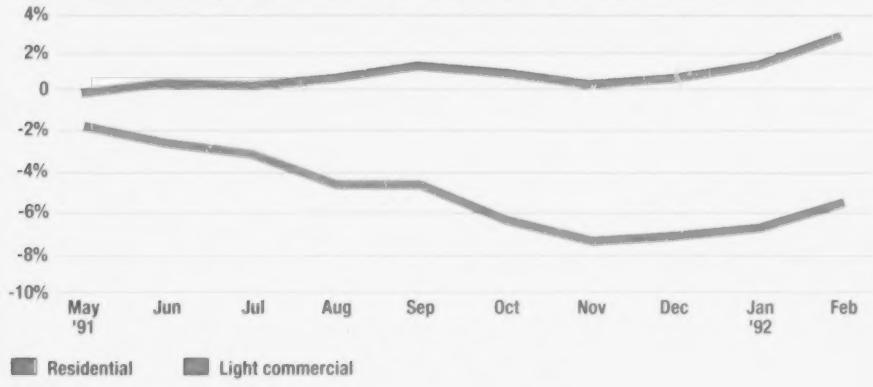
Sales Prices Of New Single–Family Homes



Data in thousands of dollars.
Source: U.S. Department of Commerce. Forecast: Cahners Economics

INDICATORS

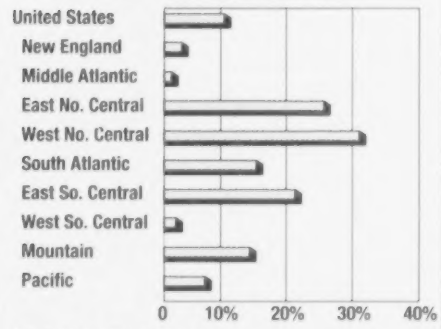
Remodeling Permit Trends—Residential & Light Commercial



Data reflect % change in 12-month moving totals
Source: U.S. Department of Commerce

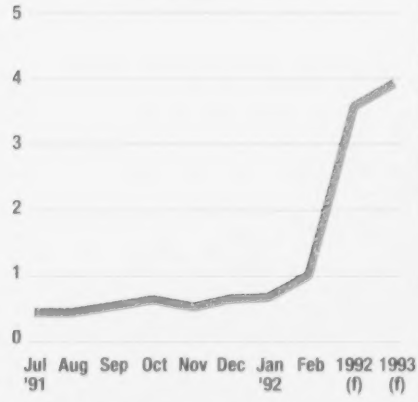
Residential Remodeling Permit Value Trends

(Year-To-Date 1992 vs. 1991)



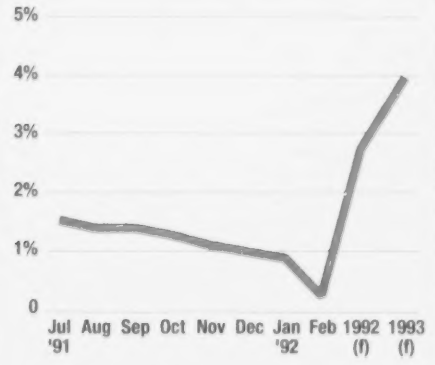
Source: U.S. Department of Commerce

Trend In Construction Materials Prices



Data reflect over-the-year change in Producer Price Index
Source: U.S. Department of Labor

Trend In Construction Labor Costs



Data reflect over-the-year change in average hourly earnings
Source: U.S. Department of Labor. Forecast: Cahners Economics

Key Trends At A Glance

	Feb '92	May '91
Total housing starts*	1,304,000	983,000
New home sales*	613,000	507,000
Remodeling permit trend	+2.9%	-0.1%
Consumer confidence index**	47.3	76.4
Median new home price	$117,000	$116,000
Fixed-rate mortgage	8.76%	9.47%
Construction wage trend	+0.3%	+1.4%

* Seasonally adjusted annual rate, in thousands.
** 1985 = 100.

Remodeling Weakness Persists

Recently released data from the Commerce Department shows that remodeling spending remained weak through the third quarter of last year. Total consumer spending for residential upkeep and improvement work was at a seasonally adjusted annualized rate of $97.2 billion during the period of July-September 1991. Home-improvement spending reached a record high total of $106.8 billion in 1990, but was at a below-$100 billion rate for all three quarters of 1991 for which data are available.

Focusing on those expenditures that can reasonably be identified as true remodeling activities—additions and alterations to the existing home—we find something interesting. Spending during the third quarter of 1991 was at an annualized rate of $30.3 billion—higher than the rate recorded during the first quarter of the year ($24.8 billion), but 17% below the second-quarter rate.

Through the first nine months of 1991, total dollars spent on home additions and alterations was off 17.2% from the January-September 1990 level. Spending on other home improvements characterized as major replacements was down 11.6%, although there was a sharp increase between the second and third quarter of 1991.

Spending on smaller-ticket home-maintenance and repair jobs held up much better, off only 1.7% from the 1990 pace through the first three quarters of 1991. □